

LYNCHBURG CITY COUNCIL

Agenda Item Summary

MEETING DATE: **April 12, 2005**

AGENDA ITEM NO.: 6

CONSENT:

REGULAR: **X**

CLOSED SESSION:

(Confidential)

ACTION: **X**

INFORMATION:

ITEM TITLE: **Adoption of a Resolution Regarding the Use of State Historic Tax Credits for the Renovation of the Carter Glass Building.**

RECOMMENDATION: After a public hearing, adopt the attached resolution regarding the use of State historic tax credits for the renovation of the Carter Glass Building.

SUMMARY: Through the use of State historic tax credits the City will be able to realize approximately \$386,750 that can be used as project revenue. As with other historic tax credit projects, this will require setting up a structure of limited partnerships. Furthermore, the process will include leasing the building through the Industrial Development Authority to one of the partnerships. While this is a complex process, we are assisted by capable legal advisors and we have successfully completed such projects in the past.

Adoption of the attached resolution is one of the first steps in this process.

PRIOR ACTION(S): None

FISCAL IMPACT: Total project cost is currently estimated at \$2,380,000. State historic tax credits in excess of \$386,750 should be obtainable.

CONTACT(S): Mary Jane Russell

ATTACHMENT(S): Resolution

REVIEWED BY: lkp

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LYNCHBURG, VIRGINIA

WHEREAS, the City Council of the City of Lynchburg, Virginia (the "Council") has determined that the City of Lynchburg, Virginia (the "City") has an immediate need for the renovation of the historic Carter Glass building, located at 857 Church Street in the City, to serve the needs of the residents of the City (the "Project"); and

WHEREAS, there has been presented to the Council a plan for financing of the Project which would not create debt of the City for purposes of the Virginia Constitution; and

WHEREAS, pursuant to such financing plan, the City will lease (the "City Lease") the Property to the Industrial Development Authority of the City of Lynchburg, Virginia, (the "IDA") which will in turn lease (the "IDA Lease") the Property to Carter Glass Partners, LP, a Virginia limited partnership (the "LP") formed to undertake the Project; and

WHEREAS, the City will then contribute to the IDA a maximum amount of \$2,380,000 (the "Funds"), and the IDA will then loan the Funds to the LP; and

WHEREAS, the LP's investor limited partner will make a substantial capital contribution to the LP; and

WHEREAS, the LP will use the Funds and the substantial capital contribution of the LP's investor limited partner to undertake the Project; and

WHEREAS, in order to induce the investor limited partner to make its substantial capital contribution, the City may enter into a Moral Obligation Agreement under which the City will evidence its intent, but not its obligation, to repay the investor limited partner's capital contribution in the event certain unexpected contingencies occur, and to otherwise underwrite and support the Project and the LP; and

WHEREAS, the IDA will have an option to buy-out the IDA Lease at the completion of the Project (the "IDA Option"), and will agree to contribute all consideration received by the IDA pursuant to its role in the Project, minus its reasonable expenses, to the City; and

WHEREAS, if the IDA exercises the IDA Option, the IDA will terminate the City Lease.

NOW THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF LYNCHBURG, VIRGINIA:

1. The City Manager or Deputy City Manager are hereby authorized to negotiate the final terms of and approve the Moral Obligation and the City Lease, whose approval shall be evidenced conclusively by the execution and delivery of the Moral Obligation and the City Lease by the City Manager or Deputy City Manager.
2. The City Manager and the Deputy City Manager are hereby further authorized to negotiate the final terms of and execute on behalf of the City all other documents and to undertake such other actions as are reasonably related to the Project.
3. The IDA's role and participation in the Project herein is hereby consented to and endorsed by the City.
4. The City Attorney is hereby authorized to record or cause to be recorded the City Lease (or a memorandum thereof) in the Clerk's Office of the Circuit Court of the City.
5. All acts of the City Manager, Deputy City Manager, and officers of the City and the IDA, regardless of whether such acts occurred prior to or occur after the adoption of this Resolution, that are in conformity with the purposes and intent of this Resolution and in furtherance of the execution, delivery and performance of the City Lease and the Moral Obligation, the plan of financing, and the undertaking of the Project are hereby approved and ratified.

6. The Project is hereby declared to be essential to the efficient operation of the City, and the City Council anticipates that the Project will continue to be essential to the operation of the City. The City Council, while recognizing that it is not empowered to make any binding commitment to make appropriations beyond the current fiscal year, hereby states its intent to make appropriations in future fiscal years in amounts sufficient to fulfill its obligations under the Moral Obligation, if any, and hereby recommends that future City Councils do likewise.

7. This Resolution shall take effect immediately.

Adopted:

Certified:

Clerk of Council

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